



Mayor Willie W. Herenton

“One Memphis – Moving Forward”

Fiscal Year 2006 Budget Address

April 19, 2005

Good afternoon Chairman Ford, members of the City Council, and citizens of Memphis.

Today, it is an honor and privilege to present to you my 14th budget presentation as Mayor, and I welcome those of you who are joining us via the Internet and our official City of Memphis Web site.

As each of you are aware, this past year has been a most challenging time for our city. I realize that as citizens, we all have opinions -- but as Mayor, it's important that I give you the facts.

A 19th century philosopher, Arthur Schopenhauer, once said that “All truth passes through three stages. First, it is ridiculed. Second, it is violently opposed. Third, it is accepted as being self-evident.” Well, ladies and gentlemen, I hope that we will reach the third stage by the end of my speech.

Ladies and gentleman, we're currently facing a major fiscal challenge. This is not news. For the past months, you've heard me talk at length about our fiscal issues.

The impact of a slow economic recovery; the straight-line windstorm of 2003 that wreaked havoc across our City; the build-up of unpaid property taxes; increased security measures as a result of the September 11th terrorist attacks; a reduction in state-shared revenues, and other unprecedented factors have collectively contributed to this revenue shortfall.

On the national scene, the economic downturn that our country has fought diligently since the late 1990s has not escaped Memphis. We all remember the robust economy of the early 1990s -- and then, almost overnight, our bubble was burst. And even now, national labor market conditions remain sluggish. Oil prices have escalated. And businesses and municipalities from coast-to-coast have implemented layoffs – *progressive* and *well-managed* businesses and municipalities.

I'm providing you these facts to remind you that Memphis is not alone in this struggle. This is a national dilemma. Revenue shortages are evident in cities across America and major cost-cutting measures are being implemented to help balance budgets. *Here in Memphis, and I want to make this emphatically clear, we do not have a management problem, we have a revenue problem. Not an expenditure charge, a revenue charge.*

For 13 years, we enjoyed steady progress -- and we basically rebuilt this City. But today, we are just one of many municipal and state governments throughout the nation facing financial challenges.

As a result of these issues, we're having to manage our city in an environment of declining revenues, and at the same time, we are being challenged to deliver those essential services that citizens expect from us.

One of the most painful times for me as a leader was during the recent layoff of City employees. It was painful because I saw faces and families, children, behind those numbers. I've often boasted that I've never had to lay off one single employee. The fact that many businesses here in our City and across the nation have been

forced to implement headcount reductions still didn't make it easy for me as a mayor.

Like other urban areas across this nation, we're feeling the sting – and our choices also have been tough. But if we were to turn back the pages of our history, we'd see that challenges are not new to this great city Memphis.

From the Yellow Fever epidemic of the 1870s, to the Sanitation Strike of 1968, to current economic issues, we've seen time and time again how the City of Memphis has found the strength and resolve in critical times. This year, ladies and gentlemen, is no different.

Despite the fiscal challenges we're facing, we should be optimistic about our future. We have the capacity and determination to rise above our obstacles and continue to do the best job possible for the citizens of Memphis.

I believe one of the best ways to deal with fiscal challenges is to focus clearly on our priorities – and to support those priorities with effective strategies and a sound budget.

What are our priorities?

- Let's begin with **economic growth**. I want Memphis to foster economic growth as a basis of continued support of education – the well being of our children. As our city grows economically, we will be in a better position to provide more educational funding.
- **Another priority, public safety** is at the core of our priorities and we must continue our strategic efforts to make our neighborhoods safer.
- It is critical that we maintain key **public services** that our citizens depend on.
- And we must continue to **reduce spending** and consistently work to make our government more efficient.

These priorities have shaped this administration because they reflect the needs and desires of our citizens.

Today, on behalf of the citizens of Memphis, I am presenting an **Operating Budget of \$517.7 million** and a **Capital Improvement Program Budget of \$1.9 billion**. The CIP includes \$261.9 million

for FY'06, with approximately \$173.3 million funded by general obligation bond proceeds.

I am also proposing a **property tax increase of 54 cents**. While this increase may cause some attention, it is this administration's intent to maintain that rate, if approved by this Council, through FY'08.

Let me also emphasize that if the 54 cents property tax is approved, we would recommend not shifting the \$86 million educational fund to the County.

At this time, I'd like to highlight key aspects of what this increase will mean to our citizens and our City:

- \$27 million will help restore municipal service levels to where they were prior to FY'05. Our citizens and our City's workforce depend on these services – and we should not take them for granted. I could paint for you a very grim picture of what life could be like in our City without a 54 cents property tax increase. I'm going to spare you that, I don't like grim pictures – and I don't think you do either.

- \$10 million will be used to replenish our Fund Balance to help us maintain our AA bond rating;
- \$2 million will allow us to accrue an employee payroll reserve;
- \$4 million will enable us to fund the FY'05 salary increase at 1.5 percent for City employees;
- 3 percent raises will be provided for City employees during FY'06; and,
- \$3 million will be used to establish other post-employment benefits -- as required by the Governmental Accounting Standards Board.

With regard to the important day-to-day services for our citizens, our **Emergency Medical Services** system continues to be a vital component of the Memphis Fire Department. The City has completed a study of the EMS system and determined that we should develop a strategic plan to address the needs of our community.

We have a three-year plan that will require \$1.2 million in FY'06, \$1 million in FY'07, and \$1.5 million in FY'08. Thereafter, the City will have an efficient EMS delivery system, designed to meet the needs of Memphis citizens and our visitors.

Our **Capital Improvement Program** is reviewed by the administration based on need, impact on the area, quality of life in our neighborhoods, and the general economic climate of our City.

Let me share with you a few examples:

The **Fire Division's** capital budget includes funds for:

- Replacing pumpers and aerial trucks;
- An ongoing program for fire station repairs;
- Fire station replacement projects; and,
- A \$3.5 million five-year personal protective equipment plan.

The **Police Division's** capital budget includes funds for:

- Expansion of the Vehicle Storage Facility that will provide space for Crime Scene and Property Storage;
- Police precinct expansion plan that includes Traffic Precinct, Hickory Hill Precinct, West Precinct Relocation and Downtown Precinct;

- Renovations to the old Police Headquarters building at 128 Adams; and,
- Construction of a 9-1-1 facility.

Let's move on to the **Parks Division's** capital budget includes funds for:

- Improvements at neighborhood parks and playgrounds throughout the City;
- Liberty Bowl Stadium improvements and preventive maintenance;
- Community Center improvements planned for the Riverview, Charles Powell, Whitehaven and Gaisman centers;
- New aquatic centers planned for Charles Powell and Glenview; and,
- Improvements to existing aquatic and tennis facilities.

The **Public Works Division's** capital budget includes funds for:

- Paving 227 lane miles of streets each year for five years;
- Maintenance of streets, bridges and major improvements to roads and drainage systems;
- Americans with Disabilities Act compliance regarding wheelchair ramps on corners at intersections throughout the city;

- Safety improvements such as street modifications and sidewalk installations in identified school zones; and,
- Repair and replacement of sewer infrastructure, new sewer connections and improvement to treatment plants from our Sewer Fund.

The budget for **Housing and Community Development** includes a \$36.1 million loan to the Memphis Housing Authority for improvement, construction and revitalization within targeted neighborhoods.

These services and improvements comprise our proposed budget for FY'06 -- a budget that represents the priorities of our citizens and at the same time, eliminates a revenue shortfall. Immediate action is needed and I humbly ask for the support of this Council.

As I mentioned earlier, despite our challenges, the signs of progress and a new vitality are all around us. While standing up to those situations beyond our control, our optimism and pride for this City have never declined.

Let me tell you why....

Downtown Memphis is booming. Approximately 25,000 people live in the downtown area. If you were in real estate development, multi-family, single-family, you would enjoy a 90-percent-plus occupancy rate. This renaissance is currently involved in \$1.7 billion new private investments. Memphis is the centerpiece of many urban renewal attractive areas in this great country and we take great pride in that.

We also take pride in our infrastructure. If you've been to Detroit, Chicago, many of the northern, Midwestern cities, you leave inescapably with great appreciation for our infrastructure. We take great pride in that.

We're also excited about the housing market. Lenox Homes recently sold 71 lots within a three-week period. That was astounding to me when I saw that in the Memphis Business Journal. People were lined up to purchase those homes. That's another sign of progress.

I must remind you that in 1992, the City's Fund Balance was only \$3.5 million. Today, despite our financial challenges, our balance is \$26 million. Moreover, we still maintain a favorable AA bond rating from the majority of bond-rating agencies.

Our sewer rates have increased only once in the past 22 years, making Memphis' sewer fees the lowest of the 250 largest cities in the United States.

Last fall, we took great pride in opening the doors to the Memphis Grizzlies' new home – FedEx Forum, a world class, state-of-the-art arena that was constructed on time and within budget. We should be proud of that.

We also should be proud of the fact that more than 30,000 people were removed from Memphis's poverty rolls during the first five years of the Memphis 2005 Economic Development Plan.

Memphis' per capita income exceeds the national average for the first time in the history of this great city.

I can go on and on to tell you why you should share in this optimism that I'm sharing with you here today.

In closing, I would like to issue a special appeal to the citizens of Memphis. I encourage each of you to find ways to join with us in helping to make our city one of the best places to live and work in the nation. We can do that with us all working together.

Ask not what your city can do for you but what you can do for your city. You know who I am paraphrasing. We all can do something to continue to move this city forward. One Memphis, moving forward.

That's my prepared speech.

Let me say again that these are indeed challenging times. I, like you, have heard from many citizens from all walks of life and the majority of the citizens I am hearing from want and deserve the same kind of city that I want as a mayor:

A city that is economically strong; a city that enjoys a housing boom; a city that has a great infrastructure; a city that affords its citizenry the amenities – the arts, parks, good schools; an investment in public safety.

That's the kind of city that I want to be the mayor of. I hope that is the kind of city that you want as legislative members of the Council.

You have before you some major decisions.

Councilman (Tom) Marshall, I am pointing you out just to make a point sir, respectfully. I noticed your interest in the property tax increase and keeping Memphians from fleeing the City. Let me challenge you to think this way.

Obviously, as the mayor, I am concerned about migration. I presented to you all a study on migration. I understand migration – not just outside of Memphis but outside of Shelby County. I understand migration.

I ask this Council to help this administration to focus on the people who love this city; focus on the people who are going to live here; focus on the people who want good schools; who want the arts; who want a clean city; who want a safe city. It takes revenues to do that.

Don't be concerned about those who are leaving – be concerned about the citizens who love this city; who invest in it; and the people who want to stay here.

I'm not going anywhere. I'm not going anywhere. If I am not the mayor, I am going to invest in Memphis because it is a good city.

I've watched my taxes go up in 14 years. A 54 cents property tax increase, I'm willing to pay it. I'm willing to pay it to restore the level of municipal services that a great city and 650,000 citizens deserve.

I hope that during the coming weeks and months, that in deliberation with my division directors, that you will exercise your authority and responsibility.

Go through the budget, you should do that. But I want to tell you this, at the end of the day, at the end of the day, we need more revenue if we are going to preserve and promote a city that we all can be proud of.

I thank you for indulging me.